

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018

DFA5048 – FINANCIAL ACCOUNTING 4

(For Diploma Students Only)

16 OCTOBER 2017

9.00 a.m. – 12 p.m.

(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 7 pages with 5 questions.
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

QUESTION 1**Part A**

Dynamics Bhd registered with 300,000 10% preference shares of RM1 each and 700,000 ordinary shares of RM1 each, invited applications for its first issue of 280,000 10% preference shares at par, payable in full on application and 300,000 ordinary shares of RM1 each at RM1.25 on the following terms:

On application	20 sen
On allotment	45 sen (including premium)
On 1 st call	30 sen
On 2 nd and final call	30 sen

Applications were received for 460,000 ordinary shares. The directors rejected 100,000 of applications and allotted the shares on pro rata basis among the remaining applicants. Any surplus money on application was used to pay up on allotment.

All application and allotment monies due on the ordinary shares were duly received. However, when the directors made the 1st call on ordinary shareholders, an ordinary shareholder with 26,000 shares paid the 2nd call money at the same time as the 1st call. On the 2nd and final call, all monies due were received.

Instructions

- (a) Prepare the journal entries to record the above transactions. (13.5 marks)
- (b) Prepare the extract of the Statement of Financial Position for the company after the 2nd and final call. (2.5 marks)

Part B

Given below is the extract of the Statement of Financial Position of Glory Rich Bhd.

Glory Rich Bhd.**Extract of Statement of Financial Position**

	(RM)
<u>Issued and paid up Capital:</u>	
2,400,000 ordinary shares of RM2.00 each	4,800,000
<u>Reserves:</u>	
Share premium	650,000
Retained profit	<u>505,000</u>
	6,105,000
<u>Non-current Liability:</u>	
800,000 8% redeemable preference shares of RM1.50 each	1,200,000
	Continued...

The directors agreed to redeem 40% of its redeemable preference shares at RM1.65 each. To finance the redemption, Glory Rich Bhd. utilized 50% of its retained profit and the remaining through the issuance of new ordinary shares at RM2.50 each.

Instructions:

- (a) Prepare journal entries to record the above transactions. (6.5marks)
- (b) Prepare the extract of Statement of Financial Position after the redemption. (2.5marks)

[TOTAL 25 MARKS]

QUESTION 2

- (a) Financial statements included in the annual report consist of directors' report, auditors' report and financial statements. What are the requirement under Section 174 of Companies Act 1965 related to auditors' report? (2 marks)
- (b) Reserves are profit retained by company and can be classified into revenue reserve and capital reserve. Briefly explain the capital reserve. (3 marks)
- (c) One of the items to be disclosed in the Statement of Comprehensive Income under 9th Schedule FRS and PERS is exceptional items. Briefly explain and give **TWO (2)** examples of the exceptional items. (3 marks)
- (d) Identify and briefly explain the **TWO (2)** basic types of companies. (2 marks)

[TOTAL 10 MARKS]

QUESTION 3

Part A

The following is the Statement of Financial Position of Megaland Bhd. as at 31 December 2016.

Megaland Bhd.		
Statement of Financial Position as at 31 December 2016		
	RM	RM
Issued and paid up capital		
300,000 7% Preference shares of RM1 each		300,000
900,000 ordinary shares of RM1 each		900,000

Continued...

Less: Call in arrears (on 100,000 ordinary shares of 30 sen)		(30,000)	
			1,170,000
Reserves			
Share premium		45,000	
Accumulated losses		(530,000)	
			685,000
Non-current Liabilities			
10 % debentures			450,000
Current Liabilities			
Loan from directors	42,000		
Bank overdraft	72,000		
Trade payables	81,000	195,000	
			RM1,330,000
Non-current assets			
Building	830,000		
Plant and machinery	110,000		
Furniture and fittings	95,000		
Motor vehicles	134,000	1,169,000	
Intangible assets			
Goodwill	28,000		
Research and development	51,000	79,000	
Current assets			
Inventories	44,000		
Trade receivables	35,000		
Prepayment	3,000	82,000	
			RM1,330,000

Megaland Bhd. found itself in financial difficulty due to suffering huge losses for a number of years. All 900,000 ordinary shares have been issued and fully call up. The company passes special resolution and the approval of the court was obtained for the following scheme of internal reconstruction:

1. To cancel the 100,000 ordinary shares which are not fully paid up.
2. The ordinary shares to be reduced to RM0.40 per share fully paid up.
3. Preference shareholders to accept 380,000 ordinary shares of RM0.40 each in exchange for the 7% preference shares.
4. Directors agreed to accept ordinary shares in place of their loan.
5. Share premium of RM45,000 is utilized for the scheme.
6. To write off accumulated loss, and all intangible assets.
7. The following values are applicable to the assets of the company:

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	RM
Building	870,000
Plant and machinery	55,000
Furniture and fittings	63,000
Motor vehicles	74,000
Inventories	29,000
Trade receivables	23,000

Instructions

- (a) Prepare the journal entries to record the capital reduction. (12 marks)
- (b) Prepare the Statement of Financial Position of the company after the capital reduction had been completed. (11 marks)

Part B

Briefly explain the purpose of having capital reductions scheme in company reconstruction. (2 marks)

[TOTAL 25 MARKS]

QUESTION 4

The sole proprietor of Perimas Enterprise, Daniel, converted his business into a limited liability company as at 31 December 2016. A new company named Power Pack Sdn. Bhd. was formed to take over all the assets and liabilities of Perimas Enterprise.

The Statement of Financial Position of Perimas Enterprise as at 31 December 2016 is as follows:

Perimas Enterprise Statement of Financial Position as at 31 December 2016		
	(RM)	(RM)
Current Assets		
Bank	20,000	
Trade receivables	40,000	
Inventories	50,000	
Total Current Assets		110,000
 Property, Plant and Equipment		
Equipment	80,000	
Less: Accumulated depreciation	(10,000)	70,000
Total Assets		180,000

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Current Liabilities

Trade payables	30,000
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Owner's Equity

Daniel, Capital	150,000
Total Liabilities and Owner's Equity	<u>180,000</u>

Power Pack Sdn. Bhd. was incorporated with authorised capital of 600,000 ordinary shares of RM1 per share. Daniel and his friend, Danish purchased 5,000 ordinary shares each at par, for cash in Power Pack Sdn Bhd when the company was formed. A formation expense of RM300 was incurred and paid by the company.

Additional information:

1. The purchase price is to be settled by the issuance of 150,000 fully paid ordinary shares of RM1 each, at a premium of 20%, in Power Pack Sdn Bhd.
2. The fair value of the assets was:

	(RM)
Equipment	75,000
Trade Receivables	35,000
Inventories	55,000

Instructions

- (a) Calculate the goodwill on business purchase. (3 marks)
- (b) Prepare the journal entries to close the books of Perimas Enterprise. (8 marks)
- (c) Prepare the journal entries to open the books of Power Pack Sdn. Bhd. (9 marks)

[TOTAL 20 MARKS]

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QUESTION 5**Part A**

Given below are the Statement of Financial Position of Lexis Bhd and Nexus Bhd as at 31 December 2016.

Statement of Financial Position as at 31 December 2016

	Lexis Bhd (RM)	Nexus Bhd (RM)
Current Assets		
Bank	50,000	60,000
Trade receivables	90,000	50,000
Inventories	60,000	40,000
Total Current Assets	200,000	150,000
Intangible Assets		
Goodwill	40,000	30,000
Property, Plant and Equipment		
Land and building	350,000	200,000
Plant and machinery	110,000	70,000
Total Assets	700,000	450,000
Current Liabilities		
Trade payables	40,000	30,000
Non-current Liabilities		
6% debentures	-	50,000
Owner's Equity		
Ordinary shares of RM1 per share	500,000	300,000
Share premium	60,000	30,000
Profit and loss	100,000	40,000
	700,000	450,000

Additional information:

- Lexis Bhd is to take over all the assets (except cash at bank) and liabilities of Nexus Bhd as at 31 December 2013 at the following fair values:

	(RM)
Land and building	450,000

Continued...

Plant and machinery	40,000
Trade receivables	50,000
Inventories	40,000

2. The purchase consideration consists of:
- 400,000 ordinary shares of RM1 per share in Lexis Bhd valued at RM1.25 per share
 - RM55,000 4% debentures in Lexis Bhd to discharge the 6% debentures Nexus Bhd at a premium of 10%.
3. Lexis Bhd agreed to pay the liquidation expenses of RM 10,000 upon absorption of Nexus Bhd.

Instructions

- Calculate the value of goodwill based on the purchase consideration information given. (2.5 marks)
- Prepare the journal entries to close the books of Nexus Bhd. (13.5 marks)
- Prepare the Statement of Financial Position of Lexis Bhd immediately after the absorption of Nexus Bhd. (4 marks)

[TOTAL 20 MARKS]

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